



## Q3 FY23 Accuray Incorporated Earnings Call

April 26, 2023

### CORPORATE PARTICIPANTS

Suzanne Winter, Accuray Incorporated – President and Chief Executive Officer

Ali Pervaiz, Accuray Incorporated – Chief Financial Officer

Jesse Chew, Accuray Incorporated – Senior Vice President, General Counsel and Corporate Secretary

### CONFERENCE CALL PARTICIPANTS

Brooks O'Neil, Lake Street Capital Markets

Jason Wittes, Loop Capital

Josh Jennings, Cowen

Marie Thibault, BTIG

Neil Chatterji, B. Riley

### PRESENTATION

#### Operator

Good day and welcome to the Accuray Third Quarter Fiscal 2023 Financial Results Conference Call. Please note, this event is being recorded.

I would now like to turn the conference over to Jesse Chew, Senior Vice President, General Counsel and Corporate Secretary. Please go ahead.

**Jesse Chew**, Accuray Incorporated – Senior Vice President, General Counsel and Corporate Secretary

Thank you, operator, and good afternoon, everyone. Welcome to Accuray's conference call to review financial results for the third quarter of fiscal year 2023, which ended March 31st, 2023. During our call this afternoon, management will review recent corporate developments. Joining us on today's call are:

Suzanne Winter – Accuray's President and Chief Executive Officer

Ali Pervaiz – Accuray's Chief Financial Officer

Before we begin, I would like to remind you that our call today includes forward-looking statements. Actual results may differ materially from those contemplated or implied by these forward-looking statements. Factors that could cause these results to differ materially are outlined in the press release we issued just after the market close this afternoon, as well as in our filings with the Securities and Exchange Commission. We based the forward-looking statements on this call on the information available to us as of today's date. We assume no obligation to update any forward-looking statements as a result of new information or future events except to the extent required by applicable securities laws. Accordingly, you should not put undue reliance on any forward-looking statements.

A few housekeeping items for today's call: First, during the Q&A session, we request that participants limit themselves to two questions and then re-queue with any follow-ups. Second, all references to a specific quarter in the prepared remarks are to our FISCAL year quarters. For example, statements regarding our



“third quarter” refer to our FISCAL third quarter ended March 31st, 2023. Additionally, there will be a supplemental slide deck to accompany this call, which you can access by going directly to Accuray’s investor relations page at [investors.accuray.com](https://investors.accuray.com).

With that, let me turn the call over to Accuray’s Chief Executive Officer, Suzanne Winter. Suzanne...

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Thank you, Jesse.

Good afternoon and thank you for joining the call.

Let me start by saying that I am very pleased with our third-quarter results, which demonstrate meaningful progress in achieving the long-term agenda that I set forth when assuming the role of CEO just under a year ago. I am enormously proud of the Accuray team, who are laser-focused on our main priorities: driving above-market revenue growth; expanding profitability through operational efficiencies and pricing discipline; and leveraging strategic partnerships to more effectively compete in the global radiation therapy market.

During this quarter, we grew global revenue by 23% year-over-year. We also achieved a new milestone in systems manufactured and shipped within the quarter representing a 67%-unit growth compared to the prior year period. Although we continue to face headwinds from the supply chain which had a negative impact on our margins, customer demand for the installation of CyberKnife®, Radixact®, and TomoTherapy® Systems is robust. Our operations and regional teams are consistently performing at the highest levels, collaborating closely with our supplier partners to minimize supply chain disruptions, and working with our customers to ensure timely delivery and installation. The organization is rallied around converting our backlog of orders into customer installations so that more institutions have access to Accuray products to deliver advanced care to their patients.

We are experiencing strong demand for Accuray products, fueled by our new product innovations including ClearRT and Synchrony on Radixact, as well as the CyberKnife S7™. Our commercial priority is on converting the aging installed base of systems to the most recent performance capabilities, so our customers have the latest generation of high-precision, robotic, and helical radiation therapy tools to provide advanced care and help our customers achieve strong, competitive positioning in their market.

In the quarter, global product revenue grew 45% year-over-year, driven by the developed markets. Americas product revenue more than doubled, EIMEA delivered 66% product revenue growth, and we achieved almost 150% product revenue growth in Japan where we are number two in market share. Expanding our Service revenue is a critical pillar in our revenue growth, and in Q3, Global Service revenue grew by 4%. Emerging markets, such as APAC, played a significant role in driving growth, particularly in China where our JV team, CNNC-Accuray, increased the number of executed service contracts for their expanding base of installed systems, resulting in a strong 28% growth in service revenue.

Orders were solid, with 34 new system orders representing a 3% growth in units year over year and consistent with our target of 1.2 book -to- bill performance. Although we saw some orders in the US region push out of

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Q3 to future quarters due to delays in purchasing cycles, US order backlog grew 8% within the quarter compared to the same period a year ago, indicating continued growing demand from US customers.

Our next strategic priority is driving profitability expansion. In Q3, adjusted EBITDA grew 54% YOY despite FX which had a \$4.1 million-dollar negative impact to our top-line versus last year and inflation which impacted our margins by \$2.2 million dollars. While we are still in the early stages of our margin expansion initiatives, we are already seeing the results of our strategic pricing actions being reflected in higher average sales prices for new orders which we expect will impact our revenue and gross margins in future quarters. Additionally, Ali and I are driving operational rigor and review of every area of our business, spotlighting areas where we can build efficiencies, reduce waste, and improve our return on capital. All these actions are helping us in the short term to navigate the FX and inflation headwinds and reduce volatility from the current environment while positioning us to accelerate profitability in the long term when these macroconditions improve.

Expanding patient access to Accuray technologies worldwide is a fundamental part of Accuray's vision, particularly in regions where technology penetration is currently low. In Q3, our global installed base of customers grew by over 4%, driven in large part by installations in the APAC region. China grew its Installed Base by 29 systems compared to the number of systems at the end of Q3 last year. Our CNNC-Accuray commercial team has been executing targeted, pre-launch market activities for our Tomo-C, Type B product, with a Made in China designation. Regulatory approval by the National Medical Products Administration in China for the Tomo-C product is expected at the end of the calendar year, and the response from KOLs to the feature set has been strong. In South Korea, we conducted our first Users meeting with over 100 participants attending since transitioning our commercial service operations from indirect to direct. The decision to go direct in service in South Korea aligns with our commitment to get closer to our customers in target markets where we believe we can improve the local technical and clinical support of our installed base. In Japan, we were very busy this quarter installing 10 new systems in Q3 and growing the installed base by 9% YOY to 143 systems. 6 out of these 10 systems were competitive replacements and will help to build up our reference base. Although Japan is considered a developed and highly penetrated country, they are still in the early adoption phase of using SBRT treatments for prostate cancer compared with the US or Western Europe. In March, Accuray held a dedicated SBRT course for Prostate Cancer in Tokyo led by world-class faculty from NYU and Royal Marsden, along with our Chief Medical Officer, Seth Blackburn. This interactive, hands-on course received a tremendous response, which we expect will generate additional demand for Accuray technology in the Japanese market. We are committed to driving advanced education to support clinicians worldwide on the use of shorter duration, SBRT treatments to advance care and we plan to take the course on the road with China as a next stop. EIMEA continues to be our largest customer base growing 5% YOY and achieving the 350 installed base milestone. As mentioned earlier, in the US product revenue doubled compared to a year ago, with solid customer demand for our differentiated platforms. In fact, CyberKnife was recently featured in Journal of the Society of Mechanical Engineering as one of "7 Robots That Can Save Your Life".

Our final strategic priority is leveraging our commercial partnerships with the goal of increasing our commercial scale and improving solution value for our customers. Our partnership with GE Healthcare continues to advance on multiple, commercial fronts. In the quarter, we held a joint Oncology Innovation workshop in our EIMEA region and our commercial teams in the US are working together building joint customer strategies. We are seeing growth in commercial momentum and are building a sales funnel from our combined activities. Additionally we are in the early phases of expanding beyond the US to other target regions as well. Finally, at the European Society of Radiation Oncology (ESTRO) in Vienna taking place in

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May, we will align marketing themes to promote our commitment to interoperability within the radiation therapy department with the goal of ensuring open access to the best technologies available for each unique patient treatment. I am excited to see how our partnership is progressing and the expanding areas of collaboration between our companies.

I will now turn it over to Ali, who will speak more about our financial performance.

**Ali Pervaiz**, Accuray Incorporated – Chief Financial Officer

Thank you, Suzanne, and good afternoon, everyone. I want to begin by thanking our Global cross-functional teams, who executed with an unwavering dedication to deliver a robust third quarter of fiscal 2023 despite ongoing macroeconomic challenges, including supply chain shortages, global inflationary pressure, and FX headwinds in our non-US markets.

Net revenue for the third quarter was 118 million dollars which was up 23% percent compared to the prior fiscal year and the highest reported revenue quarter in the company's history, exhibiting strong demand for our innovations. Net Revenue on a constant currency basis was 122 million dollars which represents a 27% increase versus the same period in the prior fiscal year.

Product revenue for the third quarter was 63 million dollars, up 45% from the prior year and up 50% on a constant currency basis. As Suzanne mentioned, this product revenue included 30 systems which is the new record number of system shipments in the company's history breaking last quarters system shipments of 29 units. Like last quarter, it's important to note that we achieved this while continuing to navigate ongoing supply chain issues, which speaks to the hard work and commitment of our cross-functional teams.

Service revenue for the quarter was 55 million dollars, up 4% percent from the prior year and up 8% once adjusted for the negative impact of foreign exchange, which had a 2.2-million-dollar impact on the top line in Q3.

Gross orders for the third quarter were approximately 74 million dollars which represented a book-to-bill ratio of 1.2 consistent with our target. As a reminder, our book to bill ratio is defined as gross orders for the period divided by product revenue for the period. We continue to monitor the book-to-bill ratio as the right metric to ensure healthy growth of our backlog and to focus our teams to book profitable orders that will convert to revenue within 30 months. Gross orders on a constant currency basis were approximately 77 million dollars.

Moving to the backlog, we ended the third quarter with a backlog of approximately 507 million dollars which is 13% lower than the prior year due to 9 orders representing 26 million dollars that aged beyond 30 months within the quarter. In Q3, we had 5 orders aged back into revenue within the quarter representing approximately 12 million dollars of orders. Finally, we continue to see low order cancellations with 2 order cancellations within the quarter for approximately 5 million dollars.

Our overall gross margin for the quarter was 32.8 percent compared to 36.2 percent in the prior year, with the year-over-year decline mainly driven by FX headwinds which had a \$4.1M impact to top-line which translates to roughly 3.5pts of gross margin pressure and continued inflationary pressure of approximately \$2.2M which translates to 1.8pts of gross margin pressure. Adjusting for the impact of FX and inflation, our gross margin rates are in-line with the prior year and prior quarter.



Operating expenses in the third quarter were 36.4 million dollars which included nonrecurring charges of 0.8 million dollars for restructuring charges and 1.1 million dollars of ERP and ERP-related expenditures, compared to 35.1 million dollars in the third quarter of the prior fiscal year. Excluding non-recurring charges, total operating expenses were down 2% compared to the same period of the previous year, showcasing focused cost control as we continue to push our teams to prioritize return on investment.

Operating income for the quarter was 2.3 million dollars compared to negative 0.3 million dollars from the prior year.

Adjusted EBITDA for the quarter was 8.3 million dollars compared to 5.4 million for the prior year period, representing 54% growth year over year despite the FX headwinds, which impacted our topline by 4.1 million dollars in Q3. We described the reconciliation between GAAP net income and Adjusted EBITDA in our earnings release issued today.

Turning to the balance sheet, total cash, cash equivalents, and short-term restricted cash amounted to 89 million dollars, compared to 68 million dollars at the end of last quarter, which is an increase of 21 million dollars, reflecting substantial collections and focus on optimizing working capital. Net accounts receivable were approximately 77 million dollars, down 12 million from last quarter, as we focused our regional teams on timely collections. Our net inventory balance was 151 million dollars, down 5 million dollars from the prior quarter, as we drive actions to bring our inventory back to healthier levels to improve our cash position.

While we delivered strong results in Q3 and continue to navigate supply chain constraints, the headwinds associated with foreign exchange have had a 16-million-dollar impact on our top-line year-to-date in fiscal 2023, most of which would have flowed down to Adjusted EBITDA. We are reiterating our full-year guidance with Revenue in the range of 447 - 455 million dollars and an adjusted EBITDA range of 26 - 30 million dollars. The lower end of the range assumes that FX and supply chain headwinds do not materially improve over Q3. We will continue to monitor key currencies as we close out Q4 and FY23.

Those are our key financial highlights, and with that, I'd like to hand the call back to Suzanne.

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Thank you, Ali.

This quarter represents another strong period of execution and demand for our highly innovative solutions. I am extremely proud of the Accuray teams and, while we are still in the early innings of our journey, the teams remain laser focused on execution making steady and meaningful progress against our long-term goals. We strongly believe that the investments we are making to serve our customers more effectively while focusing on improving operational and financial discipline, all matched with a best-in-class team, will put Accuray in the strongest position to transform radiotherapy for patients and healthcare providers worldwide. I will now turn it back over to the operator for Q&A.



## QUESTION AND ANSWER SECTION

### Operator

We'll take our first question, which comes from Brooks O'Neil with Lake Street Capital Markets. Please go ahead with your question.

### Brooks O'Neil – Lake Street Capital Markets

Good afternoon and congratulations on a terrific quarter. I would first like to drill down just a little bit on China and I'm hoping you could give us just a little overview of sort of the macro environment that you see there. Talk a little bit about what you expect in the Type A market and then just help us to understand a little bit more about the sort of the time schedule for your growth in the Type B market with your joint venture partner.

### Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Thank you, Brooks for the question. Yes, in China, so we have continued to see China open up, get back to normal from the COVID lockdowns that we saw at the end of the calendar year. And I would say we're starting to get back to normal in terms of the commercial efforts that our joint venture is doing on the ground. Things we're looking at now is major milestones. One, of course, is the Tomo® C approval, that's our joint venture developed Type B product. We're still expecting approval at the end of the calendar year and really impact to our P&L in the back half of FY 2024 as a result.

I will say though that the teams are out and doing targeted sort of pre-launch activities. They did a launch or a very targeted marketing presentation to KOLs in February, and we're expecting our first major show to be the China Medical Equipment Meeting in May and where we will have the Tomo C on the show floor. And so we're very excited about the response, at least initially, from KOLs on our feature set. So that'll be an important part of our business.

The other thing that we're looking at is for the formal announcement of the new 14th five-year plan, that's where they officially tell us what the quotas are for Type A and Type B. I think we're getting a little bit more information on what the definitions of the products for Type A and Type B are, but we want to participate in both. As you know, we have a very strong historical market share in Type A; we want to continue that. It's greater than 75% market share. That is really the high end branding, which we think will not only help us to get more Type A business, but also a halo effect on the Type B when we come to market with the Tomo C product.

And again, the only other thing, the Tomo C product, because it is a joint venture developed product, will be considered made in China designation, which will be important for our ability to compete. So, we're excited about the prospects in China and again, those are the two milestones that we're looking at for greater acceleration.



**Brooks O'Neil** – Lake Street Capital Markets

Perfect. And then if I could just ask Ali, maybe in terms of things under your control, I understand the FX impact, but what are the two or three biggest areas of opportunity for margin expansion that you see going forward?

**Ali Pervaiz**, Accuray Incorporated – Chief Financial Officer

Yes, Brooks, thanks for the question. I mean our focus continues to be in expanding our margins, and we've sort of laid this out in the past in which, we're really focused on pricing, we're really focused on our service business and getting our service margins back up to pre-COVID levels. And then from a product standpoint, we're really tackling product COGS and then obviously taking a look at OpEx. And so the combination of all that's really going to help us on our margin expansion journey, I think what I will tell you is that we are starting to see some really positive indications on the pricing front in which we are seeing accretion on orders that we're putting into our backlog, which will reflect in our P&L once those orders go to revenue.

**Brooks O'Neil** – Lake Street Capital Markets

Great. Thank you very much. And again, congratulations. You guys are doing an amazing job.

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Thanks, Brook.

**Operator**

Our next question will come from Neil Chatterji with B Riley. Please go ahead with your question.

**Neil Chatterji** – B. Riley

Good afternoon and thanks for taking our questions and congrats on the strong quarter. Maybe just on Japan, so obviously strong growth there. You had the competitive wins and sounded like a successful interactive course. So, while it might be still early kind of in that shift to SBRT, could you just maybe just elaborate on those the competitive dynamics there and what's helping to drive that strength?

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Yes, we have a tremendous team in Japan, and I think they have employed the exact right strategy for that market. It is a developed market. It is fairly penetrated in terms of radiation therapy. Most of the work that they are doing now, especially in getting these competitive wins, is making sure that the key opinion leaders within Japan are our technology and clinical advocacy associated with bringing advanced radiation therapy to the Japanese patients. So that is why they were incredibly interested in advanced education on SBRT. We think SBRT, and that's the shorter duration, higher powered radiation therapy treatment, is the future of radiation therapy. We think it's good for patients. The clinical data is supporting that and it's obviously reduced sessions, reduced cost to the healthcare system, but it does require training. It does require confidence to be able to perform SBRT.



And so we do think the U.S. is a little more advanced in terms of the application of SBRT and prostate cancer. And so what we did is we have – we support a fantastic SBRT course by NYU Winthrop that's held every year here in the U.S. and we basically worked with them to package a specific course for Japan to have that hands-on training, have that practical discussion, and we brought over a lot of the faculty from our U.S. course. It was so well received. We think that's going to be incredibly important to the adoption of SBRT, which really favors Accuray technology. And again, I think it was so successful that we're going to take it on the road in some form or fashion for other markets like China where there has been a high demand for it as well.

**Neil Chatterji** – B. Riley

Great. Thanks for that color. Maybe just one quick follow up. So just in terms of potential impact that you're seeing or might expect from the positive PACE trial data, just curious what you're expecting there?

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Yes. I think it's again more and more long-term clinical data is starting to come out from the use of SBRT in prostate cancer. And again, long-term data is important because not only is it making sure that there's tumor control but it also has an impact on, what are the long-term side effects to patients. And every time we get this long-term clinical data specifically, on patients treated on Accuray technology, the CyberKnife we are seeing reduced impact in quality of life compared to other technologies. This particular trial, PACE A, was SBRT compared to prostatectomy, so removal of the prostate. So surgery. And I think it just illuminates more choices for patients if they are diagnosed with prostate cancer to really understand what their options are and have that discussion with their clinical partner.

**Neil Chatterji** – B. Riley

Great. That's it for me. I'll jump back in the queue.

**Operator**

And our next question will come from Marie Thibault with BTIG. Please go ahead with your question.

**Marie Thibault** – BTIG

Hi, good evening, Suzanne and Ali. Thank you for taking the questions. Congrats on a great quarter and especially good work on the progress on the working capital; nice to see.

I wanted to start here and ask a little bit about, I think, I heard a mention of some purchase delays, pushing out some orders here in the quarter. And I wanted to hear a little bit more about that, if that was anything sort of a one-time situation or if that was a wider trend, what you're seeing there on the ground?

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Thanks for the question, Marie. Yes, no, I think we're watching it to see whether it is a temporary dynamic in the U.S. or if this is something that proceeds for more orders. But we did see some delays in the U.S. I think that





in Q3 we saw some of the orders pushed to Q4, not lots, we're still the vendor of choice but customers taking a little bit longer in their sales process to get it approved. And so that was unique to the U.S. We aren't seeing that in other parts of the world really in general. And so we are taking a look at it, but I think there are a couple of different – couple of different areas that is causing the delay. One, I think there's more approvals required. Two, I think there's more interaction with the IT department and making sure that cybersecurity approvals are in place before they sign off. And then third, I do think the cost of capital obviously is more expensive for a lot of these healthcare systems. And so just making sure that – that all of that is in place has put a little bit a longer timeframe, I think, in getting some of these across the finish line.

**Marie Thibault** – BTIG

Yes. Absolutely. All makes sense and good to hear you're watching it. And then I wanted to ask, given such a strong revenue result in the quarter. Just curious why you decided to maintain the revenue outlook for the year; certainly it sounds like a lot of this is sustainable and you've been pushing and making progress on the insulation side. So help us understand a little bit about how you came to that guidance, maintenance, and thanks for taking the questions.

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Yes. No, I think first of all, I think we're enormously proud of where we are and what we've already sort of absorbed. As Ali had pointed out, we've had a \$16 million impact to the top line as a result of FX just year-to-date. That has been significant and we have held our guidance. I think that if FX continues to be an issue in Q4 or supply chain is the same as it was in Q3, then I think we're heading more toward the lower end of the guidance. If things improve, then obviously we're more to the mid- and high-end of the guidance. So we're cautiously optimistic that things will improve, but we'll continue to watch that.

**Marie Thibault** – BTIG

All right. Thank you, Suzanne.

**Operator**

And our next question will come from Josh Jennings with Cowen. Please go ahead with your question.

**Joshua Jennings** – Cowen

Hi, good afternoon. Thanks for taking the questions. Wanted to ask about ESTRO next month, and I believe the plan was to showcase ARTemis at that meeting. Just wanted to know if that – what we should be expecting coming out of that meeting. And is the online adaptive platform going to be introduced and will it be commercialized in the back half of the calendar year internationally?

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Yes. So you will see – you will see ARTemis on our show floor at ESTRO, Josh. Our big introductions really at ESTRO are a full launch of the VitalHold™ for the European market. So our collaboration with C-RAD for the



deep inspiration breath hold, so that'll be on major display. ARTemis will also be in the booth. We'll be showing our collaboration with RaySearch on the online adaptive.

In terms of that timing, the full launch really will be more in the ASTRO timeframe, probably a clearance CE marked being first by the end of the calendar year. And so I expect that we will probably not see impact from that product launch until the back half of FY 2024. But we certainly will be featuring that as that's an area of tremendous interest, I think, for our customers.

And then the other thing that you'll see at the show is we're going to be having a symposium that will be specific to the use of ultra-hypofractionation for breast and prostate where we'll be having a key opinion leader panel that'll be discussing that and we'll be highlighting a lot of the clinical research like PACE-A, like PACE-B, that demonstrates the clinical efficacy of not only our technology, but SBRT in general.

**Joshua Jennings** – Cowen

Great. Well thanks for that. And then, just wanted to ask about this sales funnel. With your competitor ViewRay, kind of making their announcement earlier in the quarter, do you see any opportunity there? They represent a small percentage of the market, but any disruption from a competitor could represent opportunity, how are you viewing that? And then, and just from a higher level, just, I mean do, should we expect the business to grow orders on a constant currency basis for the full year fiscal 2023? Thanks for taking all the questions.

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Great, thank you. So, of course, we always look for opportunities, I would say in general ViewRay is a little different than we are in that they serve in a premium specialty, in a more of an academic segment. And, but certainly, I mean, I think we're taking a look at anyone who may be evaluating either technology, either CyberKnife or an MR-linac, to see if there's an opportunity there. And of course, we're going to be opportunistic as we move forward.

Just in terms of the orders, I think we are from an overall standpoint, we are expecting that from at least a unit standpoint, we are going to be, in growth to last year. And we continue to look at the book-to-bill ratio as an important metric for us so that we are booking, at least 1.2 of what we ship out the door. So that, we've got a strong backlog to pull from moving forward.

**Joshua Jennings** – Cowen

Great. Thank you.

**Operator**

Our next question here will come from Jason Wittes with Loop Capital. Please go ahead with your question.



**Jason Wittes** – Loop Capital

Thanks for taking the questions. And solid quarter, congrats on that. So that's one of the best in a while from you guys. So great execution, especially with the headwinds. And on that topic, you kind of covered the FX piece on the guidance, because it does look conservative given this performance thus far. But you also mentioned supply issues. I mean already you've kind of navigated that quite well. What do you need to see to – what are the headwinds still there that are hurting you? And do you, is there any chance for improvement there as the year progresses?

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Thanks for the question, Jason. And so yes, let me just put Q3 a little bit in perspective. Ordinarily, historically we have usually seen our Q4 be one of the strongest quarters of our fiscal year. And Q3 being, a weaker sort of beginning of the year. We actually had a very strong Q3. Some of that was due to several shipments that we had planned for Q4 that we brought into Q3 really based on customers needing to spend their money. And so, given that, I think the historical sort of hockey stick in the back half of the year we expect actually to be sort of similar from a quarter standpoint, which is our expectation. Overall last Q4 we shipped 23 units, we do think we're going to show, significant growth in units over FY 2022. But, we're watching.

And from a supply chain standpoint, I think we have navigated tremendously actually, the supply chain, but it continues to be a challenge. It continues to be a headwind, it continues to be something that we need to micromanage, a handful of suppliers as we move forward. And so given that sort of the what's influenced our guidance.

**Jason Wittes** – Loop Capital

Okay. That's helpful. Thank you. And then on the topic of ViewRay, they basically have announced that they're basically looking to sell the company and potentially even merge. Does it make sense a merger between Accuray and ViewRay? Is that something you'd look at and, what kind of things would you look at and how do you think that sort of business would operate?

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Yes, no, I appreciate the question and, of course, we can't really comment. And it's always, we're going to do what's in the best interest of our stakeholders. I'll tell you, we are very focused on our business and making sure that we are executing and driving to the strategic areas of focus that we laid out for the fiscal year.

**Jason Wittes** – Loop Capital

Okay. And then if I could just sneak in one last one, Tomo C is pretty much been, is out there. I wonder if you could just kind of give us kind of, the kind of discuss the feature set that that's being offered with it and how it's going to be positioned versus the more premium offerings, especially in China.



**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Yes. I mean, I think they're fine tuning still the way they're positioning the product, but I will say that the helical aspect of the system is very appealing for the Type B market. So that is a major differentiator.

**Jason Wiffes** – Loop Capital

Okay, thank you very much. Jump back in the queue.

**Operator**

And this concludes our question-and-answer session. I would like to turn the conference back over to Suzanne Winter for any closing remarks.

**Suzanne Winter**, Accuray Incorporated – Chief Executive Officer

Great. And I just want to thank everyone for attending. This concludes our earnings call and we look forward to speaking with all of you again in August for our final fiscal year 2023 earnings release.

**Operator**

The conference has now concluded. Thank you very much for attending today's presentation. You may now disconnect your lines.